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DIA and DOS review(s) completed.

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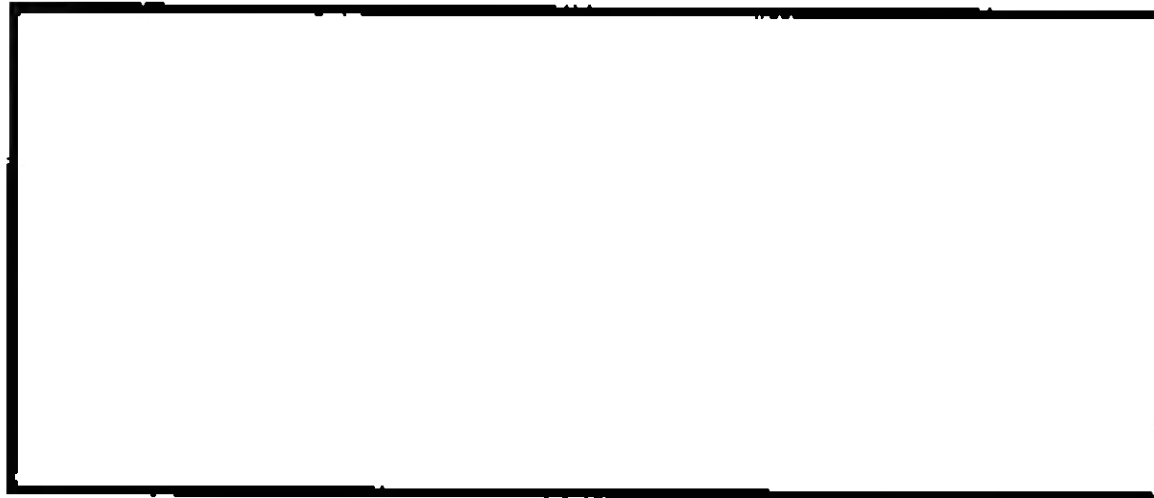
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GENERAL

1. Vyshinsky hints at Soviet support of Japanese UN application:

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In response to an expression of hope that the Soviet Union would support Japan's application for UN membership, Vyshinsky told the Japanese UN observer, "In the near future."

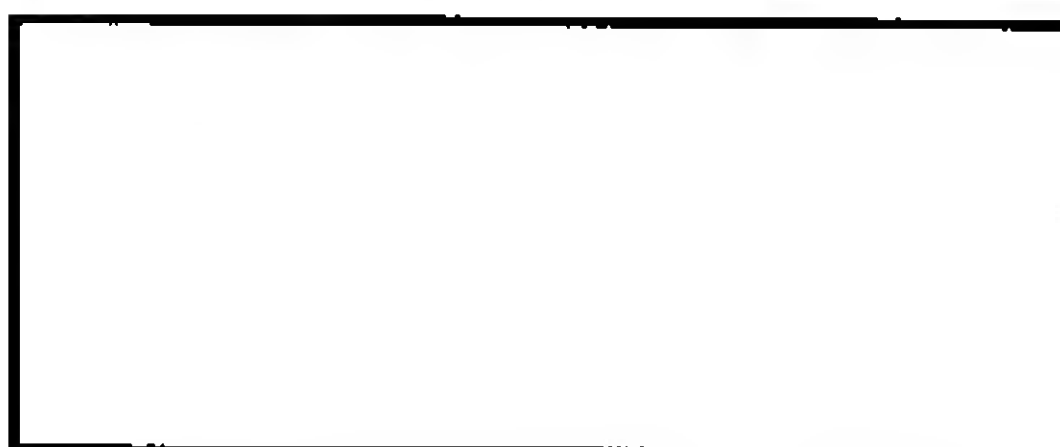
Comment: Vyshinsky's remark and the Soviet abstention in the recent vote on Japan's application for adherence to the International Court of Justice statute are signs that Moscow is modifying its long-standing opposition to Japanese participation in international affairs. This may encourage the Japanese government to take steps which could lead to a restoration of at least limited diplomatic relations. It may also foreshadow a new Soviet package proposal on UN admissions including Japan.

The USSR has refused to recognize the San Francisco Peace Treaty, and last year it vetoed Japan's application for UN membership, terming Japan an American satellite.

FAR EAST

2. Rhee again seeks American commitment to renew hostilities in Korea:

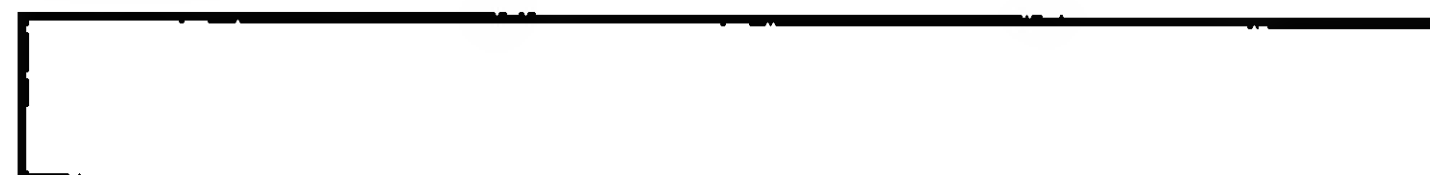
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President Rhee has apparently decided to exploit America's desire for a political conference in an effort to force the United States into some new agreement, according to Ambassador Dean. After rejecting the latest UN proposal to the Communists, Rhee told Dean on 7 December that he would give the United States complete freedom of action in arranging the conference in return for a commitment to resume fighting after 90 days of political discussions. When informed that this was impossible, Rhee accused the United States of a lack of courage in fighting the USSR, stating, "If you don't want to fight, get out."

Dean believes that Rhee has decided now is a better time to force the United States into fighting than after the conference convenes.

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Comment: Rhee probably is making one more attempt to gain American support for efforts to unify Korea militarily. He may also still want to block the conference which he feels could result only in compromising South Korea's position.

Since Rhee is under no illusions regarding American determination not to resume hostilities, however, he may have revived this issue in an attempt to gain new concessions. These could include a firm American commitment to build up South Korea's air and naval forces, meeting Rhee's terms on the economic program, prompt Senate ratification of the mutual defense treaty, or support for South Korea's position in the proposed talks with Japan.

3. Non-Communist diplomats impressed by tour of Manchuria:

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[redacted]
Chinese Communist industrial progress made a "strong impression" on the Indian, Pakistani, Burmese, Swedish, and Swiss

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chiefs of mission during their recent tour of Manchurian cities. Their Chinese Communist escorts emphasized Soviet assistance in the construction program.

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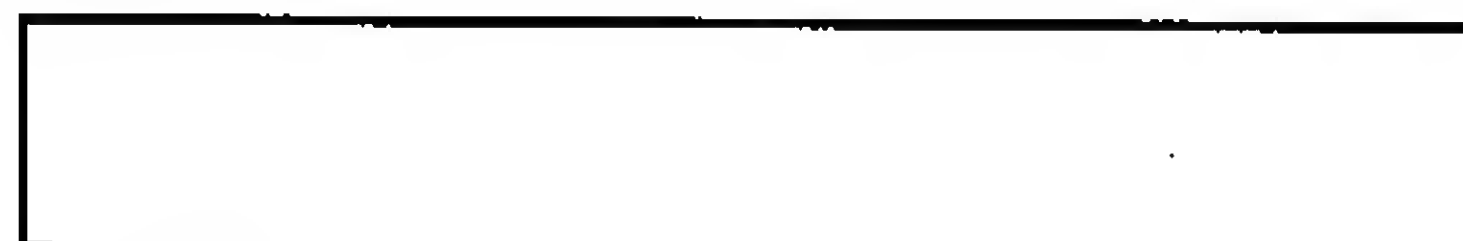
[redacted] comments that any favorable impressions the Asian diplomats transmit to their government may prepare the way for Soviet overtures toward those states.

Comment: The diplomats undoubtedly were shown numerous new construction projects in Manchuria which have received Soviet equipment.

Asian governments recognizing Peiping have proved susceptible to the argument that the regime is primarily an expression of Chinese nationalism aiming at popular welfare. They have in the past proved vulnerable to coordinated maneuvers by Moscow and Peiping to exploit "neutralist" sentiment in the Far East.

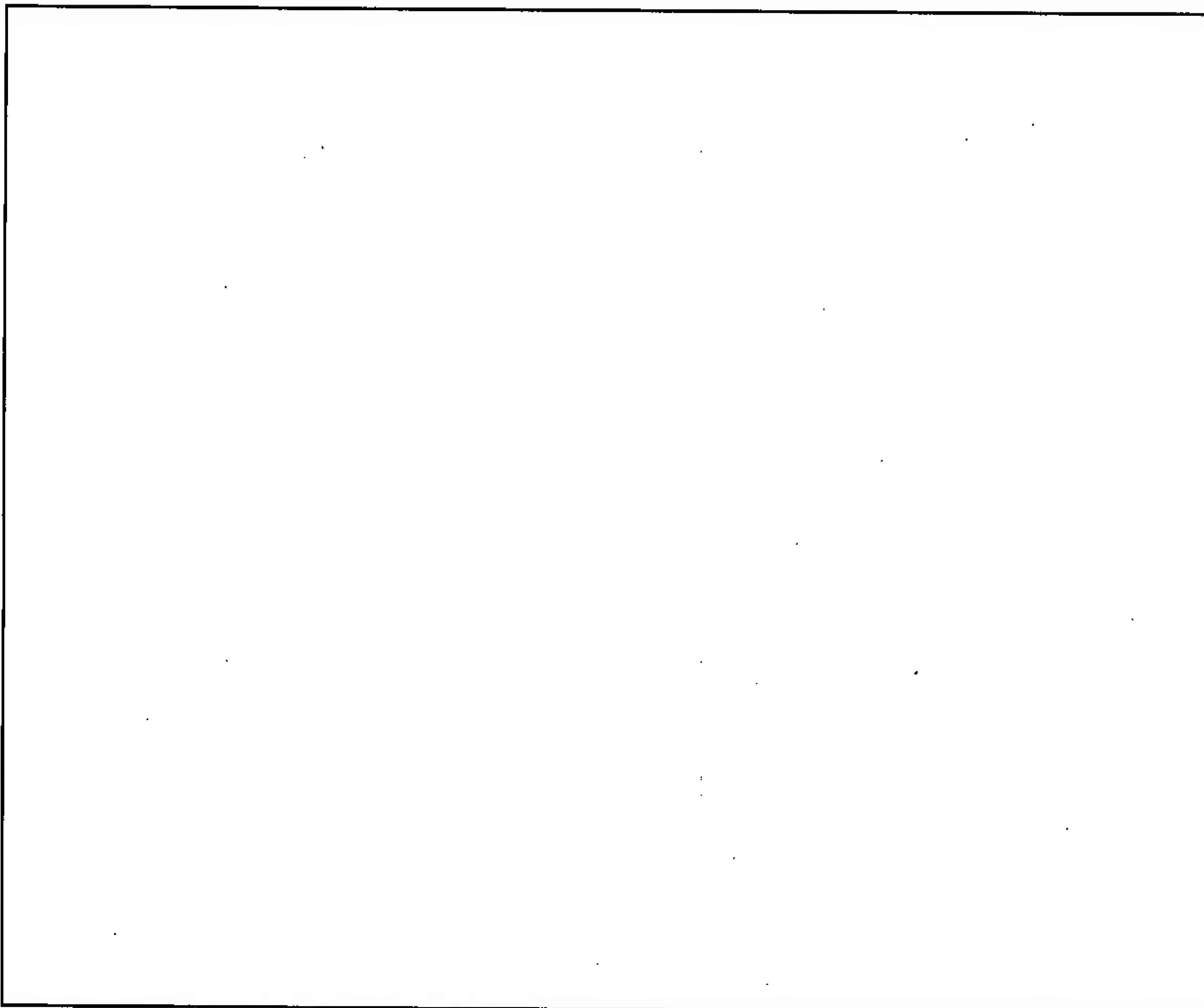
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5. Economic deterioration threatens Thailand's military capabilities:

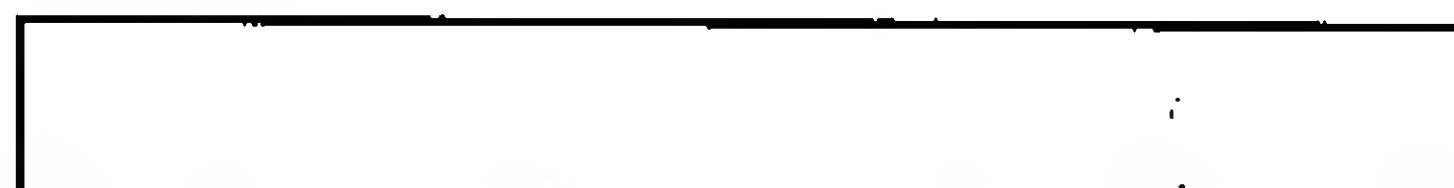
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A three months' study has convinced American officials in Bangkok that Thailand's economic position is deteriorating at a rate which will not permit the government to continue military expenditures at current levels for more than two or three years. Even now, the Thai armed forces are only barely capable of maintaining internal security.

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The officials believe that without increased American support, Thailand's effectiveness as an anti-Communist force will certainly deteriorate.

Comment: In the postwar period Thailand enjoyed a greater prosperity than the other Southeast Asian countries. Its present economic difficulties derive from the present buyers' market in rice and the decline in prices of other exports.

6. Lai Chau evacuated by French:

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[REDACTED] French forces evacuated Lai Chau in northwest Tonkin during several days prior to 9 December, according to the American army attaché in Saigon. The garrison of three battalions and 17 auxiliary companies is now at the new French strongpoint of Dien Bien Phu, south of Lai Chau. Meanwhile the Viet Minh 304th Division has moved northwestward in the direction of Dien Bien Phu.

Comment: One enemy division, the 316th, is near Lai Chau, which as the capital of the Thai federation had long been the base for French-supported Thai guerrilla operations. Dien Bien Phu, also in Thai territory, is more easily defended and is better located for stopping a thrust into Laos from the north.

NEAR EAST - AFRICA

7. Oil settlement delay may undermine Iranian government:

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[REDACTED] Ambassador Henderson reported on 6 December, while visiting Baghdad, that unless the British make energetic moves to settle the Anglo-Iranian oil dispute, the Iranian government is likely to lose the self-confidence necessary for decisive action and fall.

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[REDACTED]

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Henderson pointed out that the government is in a mood to move quickly and courageously toward an agreement which will restore oil revenues while taking account of the nationalization laws. He cautioned, however, that this mood is sure to change if the British procrastinate in opening negotiations and then introduce clearly unacceptable demands.

The Iranian government, he warned, would prefer resignation to a capitulation which would permit the Anglo-Iranian Oil Company to regain its former position in the country.

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